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**RAPID TRANSIT DEVELOPMENT**

**WITH**

**UNIVERSAL FREE TRANSFERS**

**PROPOSALS OF**

**PHILADELPHIA RAPID TRANSIT COMPANY**

**MARCH 25, 1914**



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Philadelphia, March 25, 1914.

*To the Special Committee on Rapid Transit of  
Select and Common Councils of the City of Philadelphia.*

Gentlemen:—

The Stotesbury Management in June, 1911, was prevailed upon to undertake, as a civic duty, the rehabilitation of the Rapid Transit System.

The results accomplished during the first half of the 5-year period are far in advance of the commitments then made. Were it now possible for this Management to continue undisturbed upon the original plan as set forth at its incoming, it can safely be affirmed that before the end of the 5-year period, the Public would be in full enjoyment of a modern and efficient surface transportation system, which would be a credit both to the City and to its owners and productive of return upon the \$30,000,000 of capital actually paid in.

The City's plans for rapid transit development have produced a new situation, not of the Company's seeking, under which the Philadelphia Rapid Transit Company is called upon to assume additional financial and operating burdens.

In response thereto, the Company now submits certain propositions which are the result of conferences with the Sub-Committee on Rapid Transit Negotiations and represent the utmost the Company can safely undertake.

The Stotesbury Management is neither desirous nor willing to proceed with these undertakings unless they are recognized as being fair to the City and meet with general public approval, in which event, it will put forth its best endeavors to make them effective, viz.:

**A.—An Elevated railroad to Frankford to be built and equipped by Rapid Transit Company and operated as an extension to the Market Street Elevated service.**

**B.—A Tube under the Delaware River to Camden to be built by interests holding that franchise, this line to be leased to the Rapid Transit System and operated as an extension to the Market Street Elevated service, but with an additional fare of 3 cents therefor.**

**C.—Additional Subway-Elevated lines to be built and equipped by the City and operated by Rapid Transit Company with a comprehensive system of free transfers between all Subway-Elevated lines and surface feeders as hereinafter outlined. The establishment of universal free transfers between Subway-Elevated and surface lines is without precedent in the rapid transit development accomplished in any other City and is possible only through unified operation by Rapid Transit Company and the abolishing of the 3-cent exchange tickets under these mutual undertakings with the City.**

The suggested terms of operation of new Subway-Elevated lines by Rapid Transit Company are set forth in detail in Supplement No. 1 accompanying this letter.

Assuming that the necessary franchises, contracts and consents be authorized by City Councils and approved by the Public Service Commission of the Commonwealth of



Pennsylvania, these undertakings are necessarily made conditional upon the following, viz.:

1.—That such satisfactory arrangements be made with the Union Traction Company of Philadelphia as will justify and secure that Company's financial co-operation in the carrying out of these general plans.

2.—That an agreement be secured covering the construction of a Tube under the Delaware River to Camden by the interests holding that franchise, and the leasing thereof to the Rapid Transit System.

3.—That the loss in the net revenue of the Company, due to the elimination of the 3-cent exchange tickets, be overcome through concessions by the City with respect to certain payments which the Company is now obligated to make.

While no attempt has ever been made in any other City to provide a general system of free transfers between surface lines and Subway-Elevated lines, this Management is willing to undertake to establish such a comprehensive system of transfers as will make available, to practically the entire population of the City, the combined use of the surface feeders and the high speed Subway-Elevated lines upon the payment of a flat 5-cent fare.

The suggestion contained in the Report of the Transit Commissioner was that transfers between surface lines and Subway-Elevated lines should not be given generally closer than about 3 miles from the Central Business District.

This Management believes, however, that if the proposed vast amounts are expended for City-built rapid transit lines, the entire City, insofar as is possible, should share in the benefits to follow therefrom, and in its opinion, this cannot be accomplished if the transfer privilege between the surface feeders and the high speed lines be confined to the sections outside the 3-mile limit, inasmuch as these outlying sections include only about one-third of the entire population of the City.

Without a comprehensive system of free transfers between the proposed Subway-Elevated lines and surface lines, the benefits to be derived from the large expenditure for Subway-Elevated lines would be confined to the comparatively limited number of persons living within convenient walking distance of Subway-Elevated stations.

It is directly to the interest of every section of the City that a universal system of free transfers be established both between intersecting surface lines and between Subway-Elevated and surface feeder lines.

Because of the congested condition of streets, it may seem wise to somewhat restrict free transfers in the Central Business District, at least until additional facilities are provided by the building of the proposed Subway Delivery Loop. This matter can, however, well be left to the determination of City Councils with the approval of the Public Service Commission.

Before such a comprehensive system of transfers can be considered or, in fact, before any enlarged system of transfers can be made effective, some method must be determined whereby the 3-cent exchange tickets can be eliminated.

A plan for meeting this situation is set forth in detail in Supplement No. 2 accompanying this letter.

In conclusion, this Management believes that the mutual undertakings of City and Company herein suggested will open the way for a complete rapid transit development on terms more favorable to the citizens than have been secured in any other municipality.

Respectfully submitted,

T. E. MITTEN,

Chairman, Executive Committee.

APPROVED:

E. T. STOTESBURY,

Chairman, Board of Directors



## SUPPLEMENT No. 1

### TERMS OF OPERATION

The Frankford Elevated extension to be operated at the outset as a part of the Market Street Elevated service, with free transfers to and from surface feeders.

The Camden Tube to be operated as an extension of the Market Street Elevated service, providing direct and rapid transportation for a 3-cent fare between Philadelphia, at or near Second St., and a point in Camden, at or near the Terminal of the Pennsylvania Lines.

Upon securing the necessary legislation permitting the issuance of 50-year as against 30-year bonds, the City will be in a better position to undertake the construction and equipment of a Broad Street Subway with Delivery Loop, a Chestnut Street Subway with Elevated extension to Darby, an Elevated or Subway extension to the Northwest and such other Subway or Elevated lines as Councils may determine.

Rapid Transit Company to supply power for and operate all City-built lines, at cost, for the benefit of the City, with free transfers between its own system and City-built lines; each system to retain the fares collected by it and to honor the transfers issued by the other.

In determining the cost of operation as between the City-built lines and the Company's lines, such expenses of operation as permit of exact distribution to be charged direct to each system; expenses of supervision and administration, and such other charges as are general to the combined system, to be distributed in proportion to the gross earnings of each system; power to be supplied to City-built lines at the low cost made possible by the joint use of Rapid Transit Company's generating and distributing system; and whenever property of either system is used by the other, a rental of 6% per annum on the cost of the property so used to be charged, and if any property is used jointly, this charge to be apportioned according to the extent of its use by each system.

It was originally suggested that the Rapid Transit Company undertake the construction of an Elevated line to Darby as an extension of the Market Street Elevated in West Philadelphia. It has since been determined that the capacity of the present Market Street Subway would be too soon reached to justify adding the number of trains required by the Darby Line. The operation of the Frankford Elevated and the Camden Tube, as extensions to the Market Street Elevated, will not, on the other hand, place an additional burden on the Market Street Subway Terminal, serving only to supply a load East of City Hall to the otherwise empty Westbound cars in the morning and in the evening to the empty Eastbound cars.

Whenever the City connects the Chestnut Street-Darby Line with the Frankford Elevated Line at or near Front and Market Streets, Rapid Transit Company to operate these lines at cost for the benefit of the City, thereafter contributing to the carrying charges of the Chestnut Street-Darby Line, the surplus earnings of the Frankford Line over and above a return of 6% per annum cumulative on the Company's investment therein.

When the Camden Tube is opened, service on the Elevated structure in Delaware Avenue from Arch to South Streets, can be continued by an extension of the Market Street surface service by means of incline tracks connecting the present Market Street loop with the Elevated structure.

The construction of the Frankford Elevated; the leasing of the Camden Tube; the operation of City-built lines at cost; the giving of universal transfers; and the financing of new surface feeders and other construction requirements calling for additional annual capital expenditures of at least \$2,000,000, are separately and collectively dependent upon maintaining the financial integrity of the Rapid Transit Company.



The establishment of a comprehensive system of transfers throughout the City, especially within the 3-mile limit, while serving to very greatly benefit the Public, will necessarily divert some considerable portion of Rapid Transit Company's normal earnings to the City-built lines. The Company must, therefore, be assured against any reduction in its net earnings by a provision that the amount of its net earnings prior to the operation of City-built lines, plus interest on subsequent capital expenditures, shall be a first lien on the net earnings of the combined system.

The provision for assuring the operating company net earnings equal to those obtaining prior to the opening of City-built lines, plus interest on subsequent capital expenditures, has been recognized wherever such undertakings between City and Company have been made effective. The contracts, under which Subway-Elevated development is now being carried on in the City of New York, contain such provisions and bear the approval of the Public Service Commission of the State of New York, First District.

It is estimated that this condition, if it arises at all, will not continue for more than from one to two years. Whenever the net earnings of the City-built lines are sufficient to meet the City's payments for interest and Sinking Fund upon the bonds issued to cover the cost of construction and equipment, the surplus to be divided equally between the City and the Company.

## SUPPLEMENT No. 2

## FREE TRANSFERS

In New York, Brooklyn and Chicago there is a general use of free transfers between the surface lines; but there is no such transfer privilege between surface lines and Subway-Elevated lines, and passengers using both lines pay two full fares.

In Philadelphia the charge of "eight cents for a single change from one car to another on certain intersecting lines" is one of the rates of fare of the Rapid Transit Company protected by the contract of July 1, 1907. This language is quoted from the opinion of the Supreme Court sustaining the right to make such charge.

The Stotesbury Management had no part in the fixing of these rates of fare, but at the time of its taking charge of the property in 1911, it accepted the then existing condition which produced a certain average rate of fare, with which, by careful direction, it undertook the task of giving adequate street car service to the Public.

Aside from the legal right to continue this rate of fare, an analysis of the receipts of the Company shows conclusively that the Rapid Transit Company is absolutely dependent on this revenue. Any action which would deprive it of its present narrow surplus of earnings over expenses would render it impossible for this Company to serve the Public by properly discharging its present duties or to help in the greater financing necessary for the building of additional Subway-Elevated lines.

The sum produced by this additional 3-cent charge for exchange tickets during the last three fiscal years was as follows:

1911	1912	1913
\$739,296	\$774,764	\$794,264

and the same rate of increase (4%), gives the figures:

1914	1915	1916
\$826,034	\$859,075	\$893,438

The Company, as hereinbefore stated, must be compensated for the loss of revenue incidental to the elimination of the 3-cent exchange tickets and various plans for overcoming this loss have been discussed.

The question of strip tickets, i. e., six-tickets-for-a-quarter, without transfer, was carefully considered by the Sub-Committee. While under this plan those passengers who could reach their destination by the use of a single line would enjoy a slight reduction in fare, the result to all passengers using more than one line to reach their destination would be an actual increase in the rate of fare.

A charge of 1 cent additional for a transfer ticket, would, it was estimated, about compensate for the loss of exchange ticket revenue. As this plan would result in increased fare to those passengers now using transfers, thereby serving to retard the growth of the out-lying sections of the City, it was not thought to offer the best solution.

The following method of meeting the situation is the result of suggestions made by several members of the Sub-Committee and the Company is willing to proceed upon this plan, if it meets with public approval:

This suggestion is to meet the loss in exchange ticket revenue by concessions with respect to certain payments which the Company is now obligated to make to the City either under the charters of the underlying companies or under the contract of July 1, 1907.

Three items of expense of Rapid Transit Company have been suggested where this principle could be successfully applied: (1) the annual payment in lieu of repaving streets, at present about \$500,000; (2) the annual payment to the City for tax on dividends of certain of the underlying companies, now approximating \$115,000; and (3) the annual payment into the Sinking Fund under the contract of July 1, 1907, at present \$120,000. The total of these items is now \$735,000.



As the problem for the coming fiscal year, 1915, is to compensate for a loss of \$859,000, there would still remain a deficit of \$124,000, which the Rapid Transit Company would be obliged to overcome by economy in operation and by re-routing and combining certain lines to meet the new conditions arising from the enlargement of the transfer privilege.

The reduction in rates of fare contemplated under the foregoing proposition, and the release of certain obligations, would call for an amendment to the contract of July 1, 1907. The Company would, in this event, resume payments into the Sinking Fund in 1924, upon a basis which, if the contract were extended for an additional period of seven years, would produce the sum of \$30,000,000, with which the City could purchase the capital stock of the Rapid Transit Company at the termination of the contract.